

## **10      GUIDE TO INVESTMENT AND FINANCE**

that they are not usually the most appropriate and helpful persons to consult, I base my statement exclusively upon the fact that their particular (specialised) training fails to qualify them for advising upon securities such as the investor whom I am addressing desires to secure and retain—securities, I mean, which may not always be readily saleable—the investor rather looking, as a rule, to investments which, thoroughly sound, are not subject to incessant fluctuations, and hence preserve a more stable level of value.

2. The banker's chief and legitimate aim in his business, and the specific mode of his training, is the readily realisable form of investments, so that if a sudden and large demand should be made upon the bank—a "run," as it is termed—for coin (that is, the return of the deposits of money made by his customers) he may be able to satisfy it by selling securities; hence he has a natural and proper tendency to restrict his investments to those which can thus easily be disposed of. If a time of want of credit or trust in respect of a particular bank or of banks generally should occur, all the customers, or a large section of them, might simultaneously, under the stress of fear, require the deposits which they had committed to the keeping of the banks—and which the banks would lend in advances to other customers,—and hence it is needful that their Stock Exchange securities should be of such a character as to be immediately convertible into cash (*i. e.* sold) in order to meet the call.

The advances to customers, again, which constitute an essential part of a banker's business, are very limited in their duration, so that the notion of brief and ready engagements pervades the whole of his operations. It may happen, too, that no distrust is felt about the bank's stability in itself, but if a general want of confidence is produced respecting the solvency of commercial firms and their power to fulfil their contracts, the same demand may be made upon the banks, since the public are afraid that their deposits may have been lent to the people they doubt, and

thus prove unsafe. Hence a widespread claim against banks—though in no degree originating in distrust of the banks themselves—for the refund of moneys deposited. (It is irrelevant here to allude to the effect